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PROPOSALS FOR THE ESTABLISHMENT OF AN AFRICAN TRADE AND FINANCE INFORMATION SYSTEM

I. INTRODUCTION

From the perspective of trade, Africa is recognizably one of the most dependent continents of the world. Even more striking is that more than three quarters of its total trade is geared towards the markets of developed economy countries. In the past two decades, this trend has increased significantly, leading to a decline in the percentage share of intra-African trade. ECA studies have persistently pointed out this alarming situation.

The development and expansion of intra-African trade are replete with problems: major constraints affecting growth centre around lack and poor dissemination of information on trade, trade regulations, supply and demand situations and prices in individual African countries.

On several occasions, ECA member States have recognized that trade is a major instrument for promoting economic co-operation among countries of the region; to this end, they have asked the Commission in Resolution 244(XI) to intensify efforts toward expansion of intra-African trade through facilitation of exchange of relevant up-to-date trade information and commercial expertise between African countries. The Lagos Plan of Action itself gives special attention to the development of intra-African trade and finance as a means of achieving self-sustaining growth and collective self-reliance in the socio-economic development of African countries.

Today, many African countries have Trade Information centres or offices attached to Trade Ministries or Trade Promotion Organizations. However, in spite of their concern about the free flow and exchange of information among themselves, there is no doubt that businessmen in most African countries are not generally aware of the trade regulations, supply and demand situations, prices, addresses of Trade Promotion Offices, Chambers of Commerce and of importers/exporters, etc., in other countries within the region.

The need for free flow and exchange of information on trade opportunities in Africa has long been felt by ECA as one of its responsibilities. It is against this background and as a means, among others, to assist in filling this trade information gap as well as to strengthen and complement the efforts of individual member States in the development of national trade information offices that a regional Trade Information System (TIS) will be established at ECA. TIS will not only serve as a regional focal point for all member States of the Economic Commission for Africa but will also become a point-of-call for anyone wishing to establish trade links with Africa.

The regional TIS, a unit within the ECA International Trade and Finance Division will facilitate contacts between existing and potential exporters and importers and provide systematic collection and dissemination of trade information with a view to promoting intra-African trade. It will work in close collaboration with the Pan-African Documentation Information System (PADIS).

II. GENERAL BACKGROUND

The majority of member States of the United Nations Economic Commission for Africa (ECA) operate national Trade Information Services (TIS) at varying stages of development.

However, due to limited financial and manpower resources,most of these TIS' fall short of reaching an adequate scale of operation to ensure sustained and effective inflow and outflow of trade information to their trading communities in a systematic manner. It is also to be noted that in the foreseeable future, the tools and instruments required for the application of modern trade information techniques will remain far beyond the individual resources and capabilities of the majority of ECA member States. Finally, it is recognized that lack of adequate trade information is one of the factors which has significantly hampered the development of intra-African trade and of trade with third countries.

In 1980, the Pan-African Documentation and Information System (PADIS) was created under the aegies of ECA headquarters in Addis Ababa. Its final structure will be a co-ordinated network of collaborating national and subregional information systems or participating centres within the African continent. The PADIS system will also establish effective linkages with international information networks and data bases situated outside Africa, thus enabling it to serve a large part of the total information needs of the continent.

Concerned both with numerical and non numerical information, PADIS is a decentralized multidesciplenary system designed to serve the increasing information needs in support of development activities in Africa. PADIS is based on the guideline, principles and recommendations established by international organizations in the information and documentation field.

The main objective of PADIS is to provide ready access to information required by policy makers, technicians, planners and other engaged in the economic and social development of African States. A rational approach to development cannot be successfully formulated unless all relevant information is fully considered during the planning and programming stages, and accurate knowledge of the past as well as reliable projections are used to form the basis for the future course of action.

PADIS is designed to serve African countries by:

(1) identifying and collecting African information resources and creating an efficient system for the utilization of information produced for and by ECA and its member States;

(2) promoting information sharing through the establishment of various network notes and sub-systems.

The following PADIS components are particularly relevant for the implementation of the Information System on African Trade and Finance.

(a) PADIS-Dev, the economic and social development information component: it will constitute a reference file including development plans of African countries as well as facts, trends, analyses, prescriptions for decision making, official policies, programmes and arrangements, operational experiences, consequences, evaluations, tools for development and other related information concerning development activities in and for Africa;

(b) PADIS-COM, the collection of complementary bibliographical sectoral files. This is prepared in collaboration with regional and subregional institutions and national documentation centres, and with assistance of relevant divisions of UNECA;

(c) PADIS-PROM, the project management, monitoring and control component: this provides systematic analysis of project requests and follow up concerning Africa;

(d) PADIS-STAT, the design of the Pan-African data bank concerning statistical numerical data;

(e) PADIS-NET, the PADIS telecommunication network for system interconnexion and information dissemination within and outside the African continent. This component should make available to African users the information which cannot be covered by the two other components (the scientific and technical information produced in the industrialized world) by a telecommunications interconnexion with the European Space Agency (ESA) and other international networks.

III. OBJECTIVES AND SCOPE OF TIS IN AFRICA

Tf-Africa is created under the responsibility of the International Trade and Finance Division and its focal unit for trade information, the Africa Trade Centre of the United Nations Economic Commission for Africa. Its final structure will be a network of collaborating national and subregional information systems or participating centres within the African continent.

The Information System on African Trade and Finance (TF) will be predominatly engaged in the processing, dissemination and evaluation of information. It should obtain up-to-date information about situations and research activities in the Trade and Finance field as well as government actions and publications as they relate to planning for socio-economic development. It should inform the countries in the region about each other's activities as well as those outside the region for comparative purposes.

It will provide services including replies to inquiries and referral to other information sources and to retrospective bibliographic searches. Through analysis of past and maintenance of current inquiry records, it should build-up its information resources anticipating future ones. Where it cannot meet inquiries from its own resources, it should be able to direct inquiries to appropriate individuals or institutions.

One of its chief functions will be the identification of trade and finance information sources in the region, particularly in those areas where no subregional or national resources centres are as yet established. Formalized channels of communication and information exchange should be established by the internal trade and finance information officers, with the MULPOC's at subregional level as well as with the subregional organizations' Trade Information Units and the Central Co-ordination Unit established at the regional level for the African continent.

The main development objective is, therefore, to contribute to the development of foreign trade and, in particular, of intra-African trade among the developing countries of Africa through the strengthening of national, subregional and regional trade information services.

The project intends to support the economic and social development of the African continent in the following main directions:

(a) to enhance the awareness of countries of the region of the importance of trade information in promoting foreign trade;

(b) to advise member countries on the organization and operation of their trade information services;

(c) to help develop information and documentation skills in the information services of the region;

(d) to enable regional and subregional trade information services to provide up-to-date trade information as well as advisory and training assistance in the field of trade information to member countries.

In order to achieve these development objectives, the project will establish permanent co-operative links with the Pan-African Documentation and Information System (PADIS) and will create in the framework of the International Trade and Finance Division of UN ECA, a Central Co-ordination Unit acting as a Pan-African Information Centre for International Trade and Finance (CERICOF: Centre régional pour l'information commerciale et financière).

This centre will act as a sectoral specialized regional co-ordination unit concerning African trade and finance and will collaborate with the PADIS Central Co-ordination Office for the Implementation of the PADIS system at regional, subregional and national levels.

Efforts will be directed towards setting up plans for the use of the PADIS decentralized information retrieval system in order to facilitate immediate diffusion to ECA member countries of African trade and finance information available either in Africa or obtained by remote interrogation of data bases accessible outside Africa such as the UNCTAD/GATT data bases in co-operation with Trade Information Institutions outside the continent.

The final objectives of the project are to build a well functioning resource data base of trade and finance information for the African continent and to act as a Clearing House for the entire continent.

IV. OPERATIONS OF TIS

The TIS will in the short term concentrate on the following objectives:

(a) Organization of a core collection of documents concerning trade and finance information as a basis for the establishment of an African trade and finance clearing house;

(b) Expansion and completion of the core collection, in collaboration with competent African institutes and information systems in order to create an exhaustive collection (clearing house) of trade and finance information documents;

(c) Creation of a document analysis unit for analysis, following PADIS standards, of the documents collected, in particular by using the PADIS bibliographic indexing worksheet and the manual for document analysis;

(d) Establishment of a microscopy collection of the Trade and Finance Clearing House documents on form of standard microfishes, to facilitate original (primary) document exchange and distribution;

(e) By means of the MINISIS on-line information input processor provided by PADIS, creation of a document reference file containing the description of the documents collected (the TF-Africa file); this file will be stored in the computer system of PADIS/CCO and will be made available to all the participating governments, free of charge, as one of the PADIS-COM files;

(f) Creation of a question/answer service for African users to function as a well-organized resource of trade and finance information for the African continent by using the MINISIS on-line query processor provided by the PADIS system and available at PADIS/CCO;

(g) Preparation and publication of periodical printed indexes concerning bibliographical citations and abstracts of trade and finance information documents (DEVINDEX-Africa);

(h) Contribution to the data preparation of the PADIS system for project monitoring and control (PADIS-PROM) for information cenerning trade and finance projects, on-going research and know-how in the African continent, by using the PADIS-PROM data preparation worksheet and manual;

(i) Collection of information, compilation and publication of directories of experts in the trade and finance field;

(j) Reporting on data and programmes through newsletters, information brochures, journals and other media;

(k) Acting as a distribution agency for publications on trade and finance information to the African region;

(l) Evaluation of the impact of trade and finance information on policy making for socio-economic development of the African continent;

(m) Collaboration with PADIS/CCO for the design of the trade and finance element of the Pan-African numerical data bank envisaged as PADIS-STAT component of the PADIS system (PADIS-STAT/TEA, the African trade and finance data bank) and including a general commodities data bank of African products and resources;

(n) Distribution of computer magnetic tapes containing TF-Africa information to those African NIDC centres already equipped with computerized facilities and to national and subregional trade promotion centres.

During the first implementation phase of the TIS, particular attention will be paid to the following points:

- To introduce and explain in detail to African governments, through their relevant ministries and/or trade promotion agencies, and to relevant regional and subregional organizations, the objectives, activities and expected outputs of the project;

- To seek the views, official support and commitment of these governments and institutions towards the development of an African Trade Information System taking into account existing national, subregional and regional information systems in Africa;

- To assist member States in their efforts to create the National Information and Documentation Centre (NIDC) as foreseen in the framework of the PADIS programme (1980-89) in order to strengthen NIDC and National Trade Promotion Centre competence in the field of African international trade and finance;

- To conduct fact-finding missions to Trade and Finance Information Centres inside and outside Africa with a view to benefit from their experiences for the smooth establishment and running of TF-Africa.

The TIS also provides for:

(a) Special attention to the needs and developmental priorities of the least developed and the newly independent countries of the African region. To this effect, project activities were formulated so as to take into account the difficulties encountered by these countries.

(b) Promotion of technical and economic co-operation among African countries and between Africa and other developing regions, in fulfilment of one of the global economic goals set by the Governing Council of the United Nations Development Programme.

Since the users whom the system will be designed to serve are primarily business and government decision makers and researchers in fields related to trade and finance, the future expansion of TIS will be dependent for input on national information systems and networks. There is no doubt that such systems will come into being, and because they will be compatible the project will be able to relinquish to them trade and finance related information in their particular fields. For the present, however, all types of trade and finance related information will go into the TF-Africa data base to provide the comprehensive coverage which will ensure services to all groups of development researchers and implementors.

V. ADVANTAGES OF TIS

There is no doubt that reliable and up-to-date trade information is required to determine a country's export and import priorities. To this end, African countries are making efforts to build up and develop their national trade promotion services. The degree of development of these trade promotion machineries, however, differs from one country to another. Moreover, due to inadequate financial and manpower resources, some of the trade promotion services fall short of attaining an adequate scale of operation to ensure sustained and effective inflow and out flow of trade information to their trading communities in a systematic and continuing manner.

Accordingly, it is hoped that a regional TIS such as the one proposed for establishment in the Economic Commission for Africa will be a key element in strengthening and complementing the efforts of individual member States to develop national Trade Information Services. The TIS will also serve as a central information source for both exporters and importers of goods and services in Africa. It will assist in the development of contacts between buyers and sellers with a view to expanding their foreign trade.

The outputs of the Information System for African Trade and Finance will be the following:

(i) Creation, updating, revision and general maintenance of the TF-Africa bibliographical data base in three languages, French, English and Arabic, according to UNISIST-TSO guidelines and using PADIS input sheets for data entry.

(ii) Production of TF INDEX-AFRICA containing abstacts and indexes by author, country, subject, report number and organization, produced quarterly.

(iii) Interrogation of TF-Africa and PADIS-PROM files by using on-line information retrieval software for preparation of Retrospective Bibliographies (RB), current awareness profiles or selective Dissemination of Information (SDI). Results will be bibliographic citations diffused in form of computer printouts, with or without abstract, author list and document number list.

(iv) Interrogation of the PADIS statistical data base (PADIS-STAT) with on-line information retrieval software completed by statistical software packages in order to obtain trade and finance numerical data display outputs in a form that can immediately be utilized by the users.

(v) Hard copies supply service in form of microfiches, photocopies of original documents and digitalized facisimile dispatched by data transmission network.

(vi) Use of high speed print capability with upper and lower case for production of:

(a) DEVINDEX-Africa;

(b) various bibliographies and lists created by file sorting processes.

(vii) Production of machine-readable outputs on magnetic tape containing all newly-added records on a monthly, quarterly and annual basis for those national centres equipped with a computerized facility and concerning the TF-Africa file.

(viii) Diffusion, in form of printed indexes or magnetic tapes, of a PADIS-PROM referral file concerning on-going research projects on trade and finance subjects, available know-how in Africa and African trade and finance research institutions in collaboration with other similar UN projects.

(ix) Assistance to member countries for the establishment of mechanisms for receiving on continental and international bases trade and finance information including documents relating to internationally-assisted programmes. These usually appear in the form of feasibility studies, mission reports, project proposals, evaluation reports or surveys and are produced by a multitude of United Nations agencies and other national and international organizations and foundations. The local UN Resident Representative's Office would normally be in possession of many of these documents, particularly the UN Agency-sponsored studies, as it would be a depository for all such country reports. Most of these, however, require "reclassification" by governments before being made available for general distribution.

(x) Use of remote interrogation terminals at the National Information and Documentation Centres allowing on-line interrogation of the PADIS national, subregional and regional data bases, as well as information retrieval networks external to the African continent (PADIS-NET).

VI. SUMMARY OF CONCLUSIONS

It has been emphasized that exporters in Africa lack specialist facilities such as Trade Information Services which constitutes one of the main problems. In addition, undeveloped transport and communication facilities, distances, languages and cultures separate African business communities and hinder entry to promising markets, even if these markets are in geographical proximity. The

provision of a Trade Information Service is, therefore, a vital and necessary factor in order to assist in the development and expansion of African trade in general and intra-African trade in particular.

An estimated budget of US$1,121,442.29 is required for establishing the regional Trade Information System. This amount is required for personnel, equipment, supplies and documentation material. The TIS will be administered by the Africa trade centre of the ECA International Trade and Finance Division. ECA will provide some of the project staff, secretarial assistance, translation services and printing of relevant documents.

Work Plan

The present work plan refers to activities to be executed during the first year of the project life. This plan will be updated by September 1984 to indicate the work plan for the remaining period.

I. CREATION OF A BIBLIOGRAPHIC DATA BASE

		Outputs	Starting date
1.1	Identification and collection of relevant trade and finance documents produced within the ECA	Selected documents for indexing	Jan. 1984
1.2	Identification and acquisition of relevant trade and finance documents produced in and outside African countries that have not already been processed by other co-operative information systems.	Selected documents for indexing	April 1984
1.3	Training of document analysts input operators and data base manager.	Trained indexers, data entry clerks and a data base manager	Jan. 1984
1.4	Microcopy reproduction of trade and finance documents selected for analysis.	Documents available on microfiche for circulation	Jan. 1984
1.5	Analysis of collected documents using PADIS procedures for document processing.	Record, ready for storage	Jan. 1984
1.6	Creation of the TF data base and entry of the first 200 records.	200 records stored in computer	March 1984
1.7	Installation of the TF thesaurus.	Multi-lingual thesaurus aided search facility	April 1984
1.8	Preparation of the pilot issue of DEVINDEX-Africa on tape.	Tape ready for publication by photocomposition	April

		Outputs	Starting date
1.9	Release of the first issue of TFINDEX-Africa	Published guide	July 1984
1.10	Acquisition and storage in the PADIs computer of the trade and finance information available at other information systems.	Wider coverage of trade and finance information	August 1984
1.11	Distribution of magnetic tapes to interested PADIS national and institutional participating centres upon request.	Dissemination of trade and finance information	October 1984

II. CREATION OF A STATISTICAL DATA BASE (in process)

2.1	System analysis and data format definition for the design of an African commodities Data Bank	Date field defined	March 1988
2.2	Data collection and updating of data.	Continuous	

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Conference of African Ministers of Trade

Eighth Session

Brazzaville, (Congo)
28-31 October 1985

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I. INTRODUCTION[1/]

From the perspective of trade, Africa is recognizably one of the most dependent continents of the world. Even more striking is that more than three quarters of its total trade is geared towards the markets of developed economy countries. In the past two decades, this trend has increased significantly, leading to a decline in the percentage share of intra-African trade. ECA studies have persistently pointed out this alarming situation.

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Today many African countries have Trade Information centres or offices attached to Trade Ministries or Trade Promotion Organizations. However, in spite of their concern about the free flow and exchange of information among themselves, there is no doubt that businessmen in most African countries are not generally aware of the trade regulations, supply and demand situations, prices, addresses of Trade Promotion Offices, Chambers of Commerce and of importers/exporters, etc., in other countries within the region.

The need for free flow and exchange of information on trade opportunities in Africa has long been felt by ECA as one of its responsibilities. It is against this background and as a means, among others, to assist in filling this trade information gap as well as to strengthen and complement the efforts of individual member States in the development of national trade information offices that a Pan African Trade and Finance Network (PATFIN) will be established with a central unit located at ECA. TIS will not only serve as a regional focal point for all member States of the Economic Commission for Africa but will also become a point-of-call for anyone wishing to establish trade links with Africa.

1/ This paper was revised in the light of the recommendations of the third Ministerial follow-up Committee Meeting on Trade and Finance held in Addis Ababa from 7 to 11 May 1984 which requested the Secretariat to scale down the proposed budget. The budget was subsequently considered and from the initial amount of 1,121.442 US dollars it was reduced to 638,912.26 US dollars. The proposals made in the initial paper were also edited and translated into a formal project document which constitutes the second part of the present paper.

Pan-African Trade and Finance Network and its central unit within the ECA International Trade and Finance Division will facilitate contacts between existing and potential exporters and importers and provide systematic collection and dissemination of trade information with a view to promoting intra-African trade. It will work in close collaboration with the Pan-African Documentation Information System (PADIS).

II. GENERAL BACKGROUND

The majority of member States of the United Nations Economic Commission for Africa (ECA) operate national Trade Information Services (TIS) at varying stages of development.

However, due to limited financial and manpower resources, most of these TIS' fall short of reaching an adequate scale of operation to ensure sustained and effective inflow and outflow of trade information to their trading communities in a systematic manner. It is also to be noted that in the foreseeable future, the tools and instruments required for the application of modern trade information techniques will remain far beyond the individual resources and capabilities of the majority of ECA member States. Finally, it is recognized that lack of adequate trade information is one of the factors which has significantly hampered the development of intra-African trade and of trade with third countries.

In 1980, the Pan-African Documentation and Information System (PADIS) was created under the aegies of ECA headquarters in Addis Ababa. Its final structure will be co-ordinated network of collaborating national and subregional information systems or participating centres within the African continent. The PADIS system will also establish effective linkages with international information networks and data bases situated outside Africa, thus enabling it to serve a large part of the total information needs of the continent.

Concerned both with numerical and non numerical information, PADIS is a decentralized multidesciplinary system designed to serve the increasing information needs in support of development activities in Africa. PADIS is based on the guideline, principles and recommendations established by international organizations in the information and documentation field.

The main objective of PADIS is to provide ready access to information required by policy makers, technicians, planners and other engaged in the economic and social development of African States. A rational approach to development cannot be successfully formulated unless all relevant information is fully considered during the planning and programming stages, and accurate knowledge of the past as well as reliable projections are used to form the basis for the future course of action.

EDP facilities (computer and software) available within PADIS and its decentralized units are tangible assets for the establishment of PATFIN.

III. OBJECTIVES AND SCOPE OF THE PAN-AFRICAN TRADE AND FINANCE INFORMATION NETWORK (PATFIN)

Tf-Africa is created under the responsibility of the International Trade and Finance Division and its focal unit for trade information, the Africa Trade Centre of the United Nations Economic Commission for Africa. Its final structure will be a network of collaborating national and subregional information systems or participating centres within the African continent.

The Pan-African Trade and Finance Information Network (PATFIN) will be predominatly engaged in the processing, dissemination and evaluation of Trade and Finance Information. It should obtain up-to-date information about situations and research activities in the Trade and Finance field.

It will provide services including replies to inquiries and referral to other information sources and to retrospective bibliographic searches. Through analysis of past and maintenance of current inquiry records, it should build-up its information resources anticipating future ones. Where it cannot meet inquiries from its own resources, it should be able to direct inquiries to appropriate individuals or institutions.

One of its chief functions will be the identification of trade and finance information sources in the region, particularly in those areas where no subregional or national resources centres are as yet established. Formalized channels of communication and information exchange should be established by the internal trade and finance information officers with the MULPOC's at subregional level as well as with the subregional organizations' Trade Information Units and the Central Co-ordination Unit established at the regional level for the African continent.

The main development objective is, therefore, to contribute to the development of foreign trade and, in particular, of intra-African trade among the developing countries of Africa through the strengthening of national, subregional and regional trade information services.

The project intends to support the economic and social development of the African continent in the following main directions:

(a) to enhance the awareness of countries of the region of the importance of trade information in promoting foreign trade;

(b) to advise member countries on the organization and operation of their trade information services;

(c) to help develop information and documentation skills in the information services of the region;

(d) to enable regional and subregional trade information services to provide up-to-date trade information as well as advisory and training assistance in the field of trade information to member countries.

In order to achieve these development objectives, the project will establish permanent co-operative links with the Pan-African Documentation and Information System (PADIS) and will create in the framework of the International Trade and Finance Division of UN ECA, a Central Co-ordination Unit acting as a Pan-African Information Centre for International Trade and Finance (PATFIC Pan-African Trade and Finance Information Centre).

This centre will act as a sectoral specialized regional co-ordination unit concerning African trade and finance and will collaborate with the PADIS Central Co-ordination Office for the Implementation of the PADIS system at regional, subregional and national levels.

Efforts will be directed towards setting up plans for the use of the PADIS decentralized information retrieval system in order to facilitate immediate diffusion to ECA member countries of African trade and finance information available either in Africa or obtained by remote interrogation of data bases accessible outside Africa such as the UNCTAD/GATT data bases in co-operation with Trade Information Institutions outside the continent.

The final objectives of the project are to build a well functioning resources data base of trade and finance information for the African continent and to act as a Clearing House for the entire continent.

IV. OPERATIONS OF TIS

The TIS will in the short term concentrate on the following objectives:

(a) Organization of a core collection of documents concerning trade and finance information as a basis for the establishment of an African trade and finance clearing house;

(b) Expansion and completion of the core collection, in collaboration with competent African institutes and information systems in order to create an exhaustive collection (clearing house) of trade and finance information documents;

(c) Creation of a document analysis unit for analysis of the documents collected;

(d) Establishment of a microscopy collection of the Trade and Finance Clearing House documents on form of standard microfiches, to facilitate original (primary) document exchange and distribution;

(e) By means of the MINISIS on-line information input processor provided by PADIS, creation of a document reference file containing the description of the documents collected (the TF-Africa file); this file will be stored in the computer system of PADIS/CCO and will be made available to all the participating governments, free of charge, as one of the PADIS-CCO files;

(f) Creation of a question/answer service for the African users to function as a well-organized resource of trade and finance information for the African continent by using the MINISIS on-line query processor provided by the PADIS system and available at PADIS/CCO;

(g) Preparation and publication of periodical printed indexes concerning bibliographical citations and abstracts of trade and finance information documents (DEVINDEX-Africa);

(h) Contribution to the data preparation of the PADIS system for project monitoring and control (PADIS-PROM) for information cenerning trade and finance projects, on-going research and know-how in the African continent, by using the PADIS-PROM data preparation worksheet and manual;

(i) Collection of information, compilation and publication of directories of experts in the trade and finance field;

(j) Reporting on data and programmes through newsletters, information brochures, journals and other media;

(k) Acting as a distribution agency for publications on trade and finance information to the African region;

(l) Evaluation of the impact of trade and finance information on policy making for socio-economic development of the African continent;

(m) Collaboration with PADIS/CCO for the design of the trade and finance element of the Pan-African numerical data bank envisaged as PADIS-STAT component of the PADIS system (PADIS-STAT/TFA, the African trade and finance data bank) and including a general commodities data bank of African products and resources;

(n) Distribution of computer magnetic tapes containing TF-Africa information to those African national and subregional trade promotion centres, already equipped with computerized facilities.

During the first implementation phase of the TIS, particular attention will be paid to the following points:

- To introduce and explain in detail to African governments, through their relevant ministries and/or trade promotion agencies, and to relevant regional and subregional organizations, the objectives, activities and expected outputs of the project;

- To seek the views, official support and commitment of these governments and institutions towards the development of an African Trade Information System taking into account existing national, subregional and regional information systems in Africa;

- To assist member States in their efforts to create the National Information and Documentation Centre (NIDC) as foreseen in the framework of the PAFIS Programme (1980-89) in order to strengthen NIDC and National Trade Promotion Centre competence in the field of African international trade and finance

- To conduct fact-finding missions to Trade and Finance Information Centres inside and outside Africa with a view to benefit from their experiences for the smooth establishment and running of PATFIN.

The TIS also provides for:

(a) Special attention to the needs and developmental priorities of the least developed and the newly independent countries of the African region. To this effect, project activities were formulated so as to take into account the difficulties encountered by these countries.

(b) Promotion of technical and economic co-operation among African countries and between Africa and other developing regions, in fulfilment of one of the global economic goals set by the Governing Council of the United Nations Development Programme.

Since the users whom the system will be designed to serve are primarily business and government decision makers and researchers in fields related to trade and finance, the future expansion of PATFIN will be dependent for input on national information systems and networks. There is no doubt that such systems will come into being, and because they will be compatible the project will be able to relinquish to them trade and finance related information in their particular fields. For the present, however all types of trade and finance related information will go into the TF-Africa data base to provide the comprehensive coverage which will ensure services to all groups of business operators, development researchers and implementors.

V. ADVANTAGES OF TIS

There is no doubt that reliable and up-to-date trade information is required to determine a country's export and import priorities. To this end, African countries are making efforts to build up and develop their national trade promotion services. The degree of development of these trade promotion machineries, however, differs from one country to another. Moreover, due to inadequate financial and manpower resources, some of the trade promotion services fall short of attaining an adequate scale of operation to ensure sustained and effective inflow and outflow of trade information to their trading communities in a systematic and continuing manner.

Accordingly, it is hoped that a Pan African Trade and Finance Information Network and a regional centre such as the one proposed for establishment in the Economic Commission for Africa will be a key element in strengthening and complementing the efforts of individual member States to develop national Trade Information Services. The TIS will also serve as a central information source for both exporters and importers of goods and services in Africa. It will assist in the development of contacts between buyers and sellers with a view to expanding their foreign trade.

The outputs of the Information System for African Trade and Finance will be the following:

(i) Creation, updating, revision and general maintenance of the TF-Africa bibliographical data base in three languages, French, English and Arabic, according to UNISIST-TSC guidelines and using PADIS input sheets for data entry;

(ii) Production of TF INDEX-AFRICA containing abstracts and indexes by author, country, subject, report number and organization, produced quarterly;

(iii) Interrogation of TF-Africa and PADIS-PROM files by using on-line information retrieval software for preparation of Retrospective Bibliographies (RB) current awareness profiles or selective Dissemination of Information (SDI);

(iv) Integration of the PADIS statistical data base (PADIS-STAT) with on-line information retrieval software completed by statistical software packages in order to obtain trade and finance numerical data display outputs in a form that can immediately be utilize by the users;

(v) Hard copies supply service in form of microfiches, photocopies of original documents and digitalized facisimile dispatched by data transmission network;

(vi) Use of high speed print capability with upper and lower case for production of:

(a) DEVINDEX-Africa

(b) various bibliographies and lists created by file sorting processes.

(vii) Production of machine-readable outputs on magnetic tape containing all newly-added records on a monthly, quarterly and annual basis for those national centres equipped with a computerized facility and concerning the TF-Africa file

(ix) Assistance to member countries for the establishment of mechanisms for receiving on continental and international bases trade and finance information including documents relating to internationally-assisted programmes. These usually appear in the form of feasibility studies, mission reports, project proposals, evaluation reports or surveys and are produced by a multitude of United Nations agencies and other national and international organizations and foundations.

(x) Use of remote interrogation terminals at the National Information and Documentation Centres allowing on-line interrogation of the PADIS and PATFIN national, subregional and regional data bases, as well as information retrieval networks external to the African continent through the envisaged PADIS Network for system interconnections.

VI. SUMMARY OF CONCLUSIONS

It has been emphasized that exporters in Africa lack special facilities such as Trade Information Services which constitutes one of the main problems. In addition, undeveloped transport and communication facilities, distances, languages and cultures separate African business communities and hinder entry to promising markets, even if these markets are in geographical proximity. The provision of a Trade Information Service is, therefore, a vital and necessary factor in order to assist in the development and expansion of African trade in general and intra-African trade in particular.

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PAYMENTS ARRANGEMENTS BETWEEN AFRICAN COUNTRIES AND THE SOCIALIST COUNTRIES OF EASTERN EUROPE

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I. INTRODUCTION

1. The Lagos Plan of Action, adopted by the Heads of State and Government of the Organization of African Unity, who met at Lagos (Nigeria) on 28 and 29 April 1980, recommends the systematic promotion and expansion of trade and economic cooperation potentials with the developed countries having centrally planned economies, with a view to diversifying, both geographically and structurally, Africa's trade patterns.

2. At its last session held in Addis Ababa from 1 - 3 February 1982, the Conference of African Ministers of Trade again stressed the need to develop trade and economic relations between the two groups of countries.

3. The aim of this document is to consider how the trade and economic relations between the two groups of countries may be intensified by improving the legal basis underlying these relations. It includes the information now available on the payments arrangements made between the African countries and the Socialist countries of Eastern Europe; highlights the problems arising from the implementation of existing payments agreements; and identifies the role played by these agreements in the promotion of trade between the two groups of countries. Part of the study examines the prospects of improving these arrangements.

II. ANALYSIS OF THE GENERAL PAYMENTS SITUATION AND POSSIBLE PAYMENTS ARRANGEMENTS BETWEEN THE AFRICAN COUNTRIES AND THE SOCIALIST COUNTRIES OF EASTERN EUROPE

A. Trade payments

1. General trade situation

4. The Socialist countries of Eastern Europe usually conclude with their trading partners bilateral commercial agreements which form the legal basis for trade and which stipulate that commercial relations will be based on the most-favoured nation clause. The establishment of commercial and economic relations on this legal basis depends on the requirements of the planned economies of the Socialist countries whose external trade conforms rigidly to the general plan. Such agreements are effective instruments for this planning because they give the trading partners an indication of the products or articles which may be traded. This is obviously an important point for the centrally planned economies in the preparation of their foreign trade plans. From the African viewpoint, these agreements are also important because they let traders know that the governments of their countries approve the principle of trading with the countries of Eastern Europe. But, generally, these trade agreements, while including in annexes lists of exportable products, do not require any of the two parties to trade in the goods listed or to refrain from trading in goods not listed.

5. Of course, the Socialist countries of Eastern Europe and the African countries have engaged in trade operations without any kind of bilateral legal regulations but they have been slight or sporadic. Experience has shown that mere commercial agreements are not likely to help the two groups to develop mutually beneficial co-operation. For this reason, the agreements they conclude usually deal also with economic co-operation.

2. General trends and trade in groups of products

6. Between 1970 and 1980 the value of the African countries' trade with the Socialist countries of Eastern Europe increased at an annual average rate of 9.6 per cent, from $27,76 million in 1970 to $72.83 million in 1980. During the period 1970-1980 for which data are available, African exports to the Socialist countries of Eastern Europe increased in value at an annual average rate of 14.8 per cent, from $17.79 million in 1970 to $31.19 million in 1980. During this period, imports into the African region from the Socialist countries of Eastern Europe rose from $9.97 million in 1970 to $41.64 million in 1980, an average annual increase of 15.3 per cent.

7. The product breakdown of African trade with the Socialist countries of Eastern Europe did not change much during the period covered by the study. The bulk of African exports to the European centrally planned economies consisted of primary commodities, a quarter of them agricultural products and three-quarters mining products and metals. The main food products were coffee, cocoa beans, fruits, vegetables and cereals; raw materials (excluding fuels), oils and fats have come to include inter alia : grains, oleaginous nuts and almonds, animal or vegetable oils and fats, textile fibres, bulk fertilizers and minerals, ores and metal waste. The share of these products in African exports to the Socialist countries of Eastern Europe is relatively high : 34 per cent in 1970 and 44 per cent in 1978. African exports of manufactured goods to the Socialist countries represented only 16 per cent in 1970 and 18 per cent in 1978. The bulk of African imports from the Socialist countries of Eastern Europe consists of manufactured goods, of which a third is in the form of transport machines and equipment.

8. From this brief analysis, it is clear that the bilateral trade agreements between the two groups of countries are mainly concerned with primary commodities, on the one hand, and maufactured goods, on the other. This trade pattern can be profitable for the African countries only to the extent to which the overall terms of trade are in their favour. However, during recent years, there have been sharp fluctuations in the going rates for raw materials, on which the Socialist countries of Eastern Europe base the prices to be paid by the African countries. The export trade of the African countries with the Socialist countries of Eastern Europe will be profitable to them only if new machinery can be established for avoiding sudden declines in the terms of trade of African products.

9. If the socialist countries do not take practical steps to increase their purchases of manufactured goods from the African countries, the existing pattern of trade between the two countries will continue and will be unlikely to favour the economic development of the African region. It seems necessary among other things, to find ways of transferring technology from the developed countries of

Eastern Europe to Africa, so that Africa can export finished goods to the Socialist countries of Eastern Europe.

3. Trade balance

10. The paragraphs which follow illustrate the magnitude of and trends in the payments which the African countries have had to make as a result of their commercial transactions with the Socialist countries of Eastern Europe. Except for the year 1975, the last decade has seen a continually positive trade balance in favour of the centrally planned economies. Moreover, as table 1 shows, this negative balance for the African countries has decreased only slightly, from $1,259 million in 1978 to $1,045 million in 1980, an annual average drop of 9.3 per cent.

Table 1. African trade with the socialist countries of Eastern Europe
(Value in millions of dollars) 1/

	EXPORTS			IMPORTS			Trade Balance
Year	World trade	Socialist countries	% share in world trade	World trade	Socialist countries	% share in world trade	
1970	12 164	779	6.4	11 977	977	8.3	-218
1975	33 960	2 032	6.0	41 022	1 957	4.8	75
1978	44 753	1 654	3.7	57 401	2 913	5.1	-1 290
1979	66 576	2 017	3.0	64 095	3 234	5.0	-1 217
1980	90 209	3 119	3.4	85 156	4 164	4.9	-1 045

1/ Source: Monthly Bulletin of Statistics, Vol. XXXV, No. 7, July 1981.

11. The persistent trade imbalance with the Socialist countries of Eastern Europe has not only affected the African countries as a whole but has also affected most of them individually, including some of Eastern Europe's major trading partners (see table 2).

12. Most African countries depend on commodity exports for their foreign exchange. The fluctuations in world commodity prices have severely handicapped them. They continue to export primary commodities to the Socialist countries but their earnings from such commodities do not cover the costs of their purchases from these countries. By initiating trade with the Socialist countries of Eastern Europe, the African countries hope to increase their export revenue. Moreover, the credit extended by the Socialist countries for the purchase of capital goods tends to inflate import prices.

B. Payment made within the framework of economic and financial relations

13. This section deals with the financial payments made by the African countries in connection with assistance received from the Socialist countries of Eastern Europe.

1. Official bilateral aide

14. The expansion of trade between the two groups of countries depends partly on the acceleration of their economic development. To sustain such development, the African countries have often had recourse to assistance from a large number of developed countries and, since their political independence, they have received aid from the Socialist countries of Eastern Europe. For the purposes of official development assistance (ODA), the Socialist countries of Eastern Europe make loans rather than grants. There have been some exceptions: for example, 7.1 per cent of USSR expenses on projects completed in 1969 in Somalia took the form of grants.

15. The Socialist countries extend two kinds of bilateral credits. Firstly, governmental credits granted under economic and technical agreements are used to purchase complete factories and related services, to finance the technical assistance needed to carry out the project in question and to train local manpower. Most assistance to Africa takes the form of bilateral loans bearing interest of 2-3 per cent, with a repayment period scheduled between 10 and 15 years. By comparison, ODA loans from the developed market-economy countries bear interest of 2-4 per cent. Secondly, the Socialist countries provide bilateral loans in the form of supplier credits. These are usually for 5-10 years, must conform to the conditions prevailing on the world money markets, and are subject to an advance of 20-40 per cent of the total value of the goods and services purchased in the lending countries. The foreign trade organizations of the Socialist countries which often specialize in the export of complete factories, are responsible for the implementation of the loan agreements.

Table 2. Trade balance of cer
countries of Eastern

Year	1965	1965		1970	1970	
Country	Exp.	Imp.	Balance	Exp.	Imp.	B
Algeria	9	22	-13	82	96	
Egypt	216	326	-110	468	589	
Guinea	12	13	-1	9	12	
Libyan Arab Jamahiriya	0	13	-13	1	57	
Nigeria	22	14	8	28	36	

1/ Source: Montly Bulletin of Statistics, Vol. XXXV, No
July 1981.

ain African countries with the Socialist
Europe (Value in millions of dollars) 1/

	1975	1975		1978	1978	
lance	Exp.	Imp.	Balance	Exp.	Imp.	Balance
-14	330	284	46	188	434	-246
-121	988	700	288	474	571	-97
-3	31	39	-8	54	35	19
-56	105	456	-351	446	746	-300
-8	121	136	-15	96	257	-161

7,

16. Apparently, the cost of aid granted by the Socialist countries is fairly cheap. This is because they must keep within the "World price" and cannot sell their goods at prices which depart substantially from the general prices charged on the world market for similar goods. However, the favourable terms governing the aid granted by the Socialist countries - interest rates and repayment period - are only one aspect of its real value. The following criteria are also important for an evaluation of such aid: volume of the aid, quality and price of the goods supplied and the recipient country's contribution in terms of labour and equipment costs of the constructions planned and the impact of these projects on the national economy.

17. However, unblocking the assistance involves a number of problems. The conclusion of a co-operation agreement takes effect only when viable projects have been accepted by the contracting parties. In other words, the economic and technical co-operation agreement does not require the Socialist country concerned to provide anything, since the funds pledged under the agreement are not fully available until the receipient country has presented mutually acceptable projects and has provided an amount to cover the local expenses for the implementation of the projects selected by the two parties.

18. The disbursements of these official loans for development are accounted for either gross (i.e. the amounts actually disbursed) or net (i.e. the amounts to be disbursed less the reimbursement of the capital from former loans). The annual gross disbursements by the socialist countries to the African countries are shown in table 3. It is clear from this table that the disbursements by the member countries of CMEA in terms of gross ODA to Africa rose from $161.9 in 1977 to $170.6 in 1980, an annual average increase of only 1.7 per cent. These capital contributions remain fairly limited and are concentrated on a small number of recipient countries. In order of magnitude of the the assistance given, these countries were: Algeria, Egypt, Ethiopia, Morocco and Tunisia. In 1980 these countries alone received $147.1 million or 86 per cent of the total disbursements by the Socialist countries to the African countries. With regard to the annual net official disbursements from the socialist countries, the data available concern only the least developed African countries for the period 1968-1978. As may be seen from table 4, the net total of resources from the Socialist countries steadily declined during this period. Many of these countries even showed "negative" contributions.

Table 3. Inflow of capital from the Socialist countries as official development assistance to the African countries (gross disbursements in millions of dollars) 1/

Country \ Year	1977	1978	1979	1980
1. Algeria	55.3	64.4	65.8	68.2
2. Angola	3.0	3.5	4.1	4.5
3. Benin	0.5	-	-	-
4. Central African Republic	0.4	0.2	-	-
5. Congo	2.2	0.8	0.5	0.2
6. Egypt	58.0	54.5	45.2	36.6
7. Ethiopia	6.7	12.3	10.5	17.7
8. Ghana	2.3	0.2	0.1	0.1
9. Guinea	5.2	4.7	0.3	0.3
10. Kenya	0.1	0.1	0.1	-
11. Madagascar	0.7	0.6	2.9	2.0
12. Mali	1.2	2.0	1.0	1.0
13. Mauritania	1.0	0.6	-	-
14. Morocco	3.8	7.5	10.8	12.8
15. Mozambique	3.3	1.8	1.9	4.3
16. Nigeria	0.4	0.2	-	-
17. Sierra Leone	0.2	0.1	-	0.1
18. Somalia	6.6	-	-	-
19. Sudan	2.6	3.6	3.9	10.6
20. Tanzania	2.5	3.5	1.2	0.2
21. Tunisia	4.1	4.8	13.3	11.8
22. Uganda	0.6	0.5	0.5	0.1
23. Zambia	1.2	0.6	3.3	0.1
Total	161.9	166.5	165.4	170.6

Source: Geographical distribution of financial flows to less developed countries, OECD, 1981

Table 4: Loans by the
African cou

Country	Year 1968	1969	1970
1. Central African Republic	-	-	-
2. Chad	-	0.4	0.6
3. Ethiopia	0.6	-0.3	0.8
4. Guinea	13.9	6.7	38.5
5. Mali	14.5	5.2	1.9
6. Somalia	1.9	2.3	0.9
7. Sudan	6.7	1.1	13.2
8. Uganda	0.4	0.7	0.5
9. United Republic of Tanzania	0.0	0.2	1.3
Total	37.9	16.3	57.6

1/ Source: United Nations, A/CONF.104/PC/3, 1980 tab

Socialist countries to the least developed
ries (Net disbursements in the form of
fficial development assistance loans)
(Value in millions of dollars) 1/

971	1972	1973	1974	1975	1976	1977	1978
-	1.9	0.3	1.4	0.5	4.4	-	0.0
0.4	0.9	0.1	-	-	-	0.4	0.4
0.5	0.0	-1.1	-1.7	-2.1	-2.0	-2.2	-1.2
8.3	29.8	15.3	30.9	31.6	6.7	-40.0	-21.6
1.2	1.8	3.6	1.3	8.5	5.0	1.1	2.8
1.3	3.2	7.7	4.9	8.6	21.0	20.2	4.2
9.7	4.1	8.8	10.9	-2.0	-6.2	-6.1	-.3
2.1	5.7	0.5	7.1	9.0	18.7	-0.8	-1.0
0.3	-0.5	0.3	0.2	1.2	0.8	2.0	-0.4
3.8	46.9	35.5	55.0	55.3	48.4	-26.2	-20.9

19. The data given in the following paragraphs provide a picture of the recent bilateral indebtedness of 30 African countries to the Socialist countries of Eastern Europe. The figures in table 5 below relate to the disbursed debt outstanding and debt service (principal and interest payments combined of the African countries for which data are available between 1977 and 1979.

20. For the 30 African countries on which data are available, the total outstanding bilateral debt to the Socialist countries of Eastern Europe rose from $3,199.7 million in 1977 to $3,565.6 million in 1979, an average annual rate of increase of 5.5 per cent. Relatively large loans were contracted between 1977 and 1979 only by Etypt, Algeria, Guinea, Tanzania, Zambia, Mali, Somalia and the Sudan, whose outstanding debts in 1979 represented 79 per cent of the total owed by these 30 African countries to the Socialist countries of Eastern Europe. Table 5 also shows that African countries make only limited use of loans from Socialist countries and their public external deby cannot, therefore, be described as extensive since in 1979 the debts of these 30 African countries to the Socialist countries amounted in total to only 5.4 per cent of their total debt. As credit awarded by the Socialist countries has to be used for imports, the African countries most in debt to the members of CMEA, such as Egypt and Algeria, showed a sizable trading deficit with this group of countries in 1978.

21. Between 1977 and 1979 bilateral-debt-servicing payments grew at a mean annual rate of 18 per cent, from $190.3 million in 1977 to $269.2 million in 1979. Debt-servicing payments in 1979 grew faster than the export income that largely serves to meet them, showing a rate of increase of 32 per cent as opposed to 21 per cent for export income.

2. Multilateral debt

22. The Special Fund set up within the International Investment Bank of the member countries of CMEA can finance industrial projects in developing countries under a technical credit scheme. The registered capital of the Fund is $1 billion, with 95 per cent of that sum in transferable roubles and 5 per cent in convertible currency. The Special Fund extends credit under the following terms and conditions: The loan period varies between 5 and 15 years and the interest rate between 3 and 5 per cent when credit is given in transferable roubles; the rate of interest may be raised as of when it is tied to the rate in force on the international capital market. Central banks, State organizations, co-operatives and, in exceptional cases, private firms are eligible for loans. Such loans, however, must be guaranteed by the borrowing countries' central banks. It is hard to analyse the extent of the African countries' indebtedness to the Special Fund since the relevant data are not available.

C. Current payments arrangements between developing countries and the Socialist countries of Eastern Europe

1. Commercial transactions

(a) Bilateral clearing system

23. Theoretically, commercial exchanges between any developing country and any Socialist country in Eastern Europe should be settled bilaterally. The chief means of settlement is bilateral clearing accounts. The repayment agreement, which is often an integral part of the trade agreement between two trading countries, provides for the opening of clearing accounts with each contracting party's financial institutions. All trade payments by the parties to the agreement are made to these accounts. Among other things, the repayment agreement, which specifies the accounting units to be used, will state that clearing operations should take place at fixed intervals or upon expiry of the period covered by the agreement. There are generally balancing provisions, such as clauses on the extension of technical credit.

(b) Payment in converitlbe currency

24. Developing countries and the Socialist countries of Eastern Europe nromally conclude trade agreements without special bilateral payment arrangements. In this case the traditional channels are used to settle commercial transactions between the trading partners. The transactions are invoiced and itemized in freely convertible currency and payments are made in foreign currency in accordance with the monetary regulations in force in each of the parties to the trade agreement.

(c) Payment in transferable roubles

25. In October 1976 the Board of the Socialist countries' International Bank for Economic Co-operation (IBEC) decided to allow countries not belonging to the Bank to join the system of multilateral settlements in the "communal currency" of the members of CMEA, i.e. the transferable, or exchange, rouble. This decision is of interest for countries not belonging to CMEA in that it would "multilaterize" their commercial exchanges with the Socialist countries of Eastern Europe and, hence, expand their trade and economic relations with the region. Under the IBEC decision the machinery for settlement in transferable roubles with non-members works by allowing exchange roubles paid to an exporter in a developing country to be used in payment for imports from any member of CMEA. This, therefore, serves as a multilateral clearing system between the two groups of countries.

2. Financial transactions

26. There are various means of repaying economic loans by the Socialist countries of Eastern Europe to developing countries. The method currently in use under the economic co-operation agreements between the two groups of countries is repayment in the currency of the receiving country or in kind. Capital and

interest payments to the Socialist countries of Eastern Europe take the form of consignments of goods from the developing country that has signed the economic co-operation agreement. In other words, a debtor developing country can pay off its debt to an Eastern European Socialist country with goods produced with the ehlp of the loan. Some agreements also provide for the repayment of economic loans in the form of traditional products. These arrangements for payment as part of the economic co-operation between the two groups of countries have the advantage of alleviating the developing countries' debt-servicing burden and increasing their export to the Socialist countries of Eastern Europe. In the case of loans in kind, capital and interest payments generally begin not when credit is granted but on the date of the first consignment of goods from the planned economies, or upon final delivery of the wherewithal to carry out the project financed by the loan.

III. APPRAISAL OF PAYMENTS ARRANGEMENTS BETWEEN AFRICAN COUNTRIES AND SOCIALIST COUNTRIES OF EASTERN EUROPE

27. The four sections of this chapter will be devoted mainly to a detailed analysis of payments arrangements existing between African countries and the Socialist countries of Eastern Europe. An attempt will first be made to review the various types of existing payments agreements and to point out their similarities or differences. An attempt will then be made to appraise their impact on African economies and finally to see what effects they have on trade between the two groups of countries.

A. Inventory of existing trade and payments agreements

28. To date, there have been only two categories of payments arrangements between African countries and the Socialist countries of Eastern Europe. These are: (i) Clearing agreements or trade agreements stipulating that payments should made in a convertible currency and (ii) loan payment arrangements. Bilateral trade agreements often incorporate a payments agreement when the currency of one or both parties is not convertible. Depending on the type of payments agreement, trade agreements can be divided into bilateral clearing agreements and convertible currency settlements. As indicated in the annex I table, bilateral clearing was largely used by the two groups of countries in the 1960s while in the 1970s, a trend to replace clearing account payments with convertible currency payments was recorded. Some of the socialist countries' credit grant agreements to be found in the Annex II table are illustrative of the loan payment arrangements concluded between the two groups of countries.

B. Main features of trade and payments agreements and loan agreements

1. Trade agreement

29. Parties to a trade agreement undertake to buy the products listed in the annex(es) to the agreement. The list is generally agreed on annually. In other words, the trade agreement is implemented by means of annual protocols with a view to providing a degree of flexibility in trade rleations between two

countries. The trade agreement indicates the value of export and import quotas without however, fixing prices. Prices are fixed by annual negotiations. A number of trade agreements are concluded for one year but are extended for several years by the annual renewal clause or tacit extension. In this way, annually concluded agreements have turned out to apply over a longer term than those concluded for a fixed term of four or five years. Furthermore, the contracting parties undertake to grant each other most-favoured-nation treatment. Some trade agreements concluded by African countries during the years immediately following independence contain a non-reexportation clause. From annex I it can be seen that a few trade agreements granted supplier credits to African countries.

2. Clearing agreement

30. Clearing agreements form an integral part of trade agreements. They usually cover the same period and are renewed by the same procedure. Bilateral clearing agreements are inteded to facilitate the automatic settlement of debts and loans resulting from trade transactions carried out between trading partner countries. All trade transactions are recorded on a central open clearing account in the central banks of the trading countries. The agreement specifies the currency of account which is often denominated in foreign exchange or in national currency. After an agreed period, the contracting parties balance the accounts. It often happens that the trade between two countries is unbalanced. In order to facilitate the smooth conduct of trade, partner countries grant each other a trade facility known as technical credit. The agreement therefore is not aimed at crediting the account of participating countries but instead at opening them a line of credit for agreed trade transactions. In other words, the surplus country grants credit to the deficit country in order to enable it to buy under the system. Such credit is granted at a comparatively low rate of interest up to a certain amount for an agreed period. Any over draft of the credit margins granted should be settled immediately in accordance with a mutually acceptable formula. In addition to such technical credit, there are in principle, four other methods of settling accounts. Firstly, a debit account can be settled through a transfer of convertible currency. Secondly, the export surplus country may reduce its deliveries while its partner speeds up the delivery of its goods. The third method is a triangular settlement of accounts and the fourth is to settle debit accounts through reexportation. On analysing some of the clearing agreements concluded in the 1960s between African countries and the Socialist countries of Eastern Europe, the following observations can be made:

i) All the trade and payments agreements made no provision for the granting of technical credit;

ii) The volumes of technical credit facilities were obviously low;

iii) Any overdraft of technical credit carried a three per cent interest and had to be settled in convertible currency;

iv) the provisions of certain trade and payments agreements forbade the reexport of trade goods;

v) Clearing accounts were settled particularly in conver ible currency, the only exception being the agreement concluded in 1961 between Ghana and Hungary, which provided for the settlement of accounts through deliveries.

31. It is interesting to note the difference between clearing agreements and barter agreements. Trading and payments agreements do not involve the mere exchange of goods. The indicative product lists annexed to trading agreements are optional while the prices negotiated annually constitute a determining factor in decisions to purchase. Furthermore export and import transactions are not necessarily linked since bilateral equilibrium must be achieved only after an agreed period of one year in general. Finally, the payments are made in money, contrary to the provisions of barter agreements which involve a mere exchange of products.

3. Convertible currency payments agreement

32. Trade agreements involving convertible currency payments outside of a special account contain but few provisions. The most salient features are described below:

Two partner countries undertake to grant each other export or import licenses for products on the indicative list. The agreement specifies the payment currency in addition to indicating that trade transactions should be settled in accordance with the exchange regime of each of the partner countries. Most agreements signed or renewed in recent years between African countries and the Socialist countries of Eastern Europe stipulate that payments should be made in convertible currency. Some indications of this are given in annex I of the present study.

4. Loan agreement

33. This paragraph deals mainly with loan payment arrangements. Loans granted under co-operation agreements are repaid either in money or in the form of products from the borrowing country. The loan agreement providing for the in-kind settlement of accounts is sometimes called a clearing agreement. Such agreements provide that concessional loans granted by the Socialist countries to African countries should be repaid through products manufactured with such assistance. One feature of such clearing agreements is the magnitude of their scope. Good examples of such clearing agreements are those concluded between the USSR and Guinea on the one hand, and the USSR and Morocco on the other hand. In return for the Soviet loan to exploit the bauxite complex at Kindia, Guinea is bound to deliver to the USSR for 30 years bauxite extracted from the mining complex. Annual deliveries from 1974 onward were expected to amount to 2.2 million tons of bauxite. Under a similar clearing agreement concluded in the phosphate sector between the USSR and Morocco, the USSR was to construct and equip a new major phosphate mine and a concentration factory at Meskala. The factory would have a peak capacity of ten million tons per year of phosphate which will be exported to the USSR. Most clearing arrangements cover the extractive and allied industries. Some clearing agreements however, cover manufacturing industries and provide for repayment through the delivery of diversified goods. For instance, to pay back loans secured from the USSR from 1968 to 1970, Guinea had to supply the USSR with industrial products and with such traditional products as bananas, pineapples, coconuts and coffee. Annex II illustrates the conditions under which loans were granted by the Socialist countries to African countries.

C. Problems encountered in implementing such agreements

34. In implementing trade and payments agreements, African countries had to cope with some problems the major ones of which are described below. First of all, African countries have recorded persistent deficits with the Socialist countries of Eastern Europe. Obviously, their need to industrialize drives the African countries to acquire machinery and other capital goods from the Socialist countries. They have inadequate savings and foreign exchange reserves. The technical credits available under trade and payments agreements have not been sufficient to offset the trade imbalances with the Socialist countries. What is more clearing accounts were settled in convertible currencies such as the United States dollar and the pound sterling. Prices are another problem. In Africa's relation with the Socialist countries of eastern Europe, prices for every product are negotiated annually. This means fixing the level of prices in advance, for a relatively long period, Obviously, the principle of trade between developing countries and the Socialist countries of Eastern Europe is to keep the prices of traded goods on a par with world market prices. Commodity prices have been notoriously unstable on the world market. It is therefore obvious that the price fixing procedure used by the Socialist countries does not help commodity exporters to earn fair and remunerative export revenue. Commodity exporters should be able to fix export prices without necessarily having to conform to the price levels prevailing on the world market. Furthermore, it should be stressed that even if two partner countries have the goods mutually desired, they can only trade bilaterally if the prices quoted are mutually acceptable. Regarding imports from Socialist countries, appropriate bilateral measures should be instituted to ensure that differences in the price and quality of import products do not offset the earnings deriving from African exports. As to arrangements for the repayment of loans granted by socialist countries, the in-kind repayment arrangements have been encouraging. Nonetheless the view is held that repayment schedules should be longer than they have been and all loan agreements should include a grace period clause.

D. Impact of such payments arrangements on African economies

1. Impact on foreign exchange reserves

35. The settlement of trade accounts by bilateral clearing has some advantages. For the partner countries, clearing agreements only aim, among other things, at minimizing foreign exchange transactions. Some agreements allowed African countries to settle their debit account through goods delivery should they excessivley over-draw or should the payments agreement expire. In practice, only a few countries have benefited from this arrangement one of whose effects is to restore the payments balance of African countries vis-a-vis their partners. The bilateral clearing system has nevertheless some adverse effects on African economies. Indeed, most trade transactions between certain African countries and the Socialist countries of eastern Europe were settled in foreign currency because most of the clearing agreements specified that clearing accounts should be settled in a convertible currency. The convertible currency payments system is more flexible in terms of payment modalities but tends to weigh heavily on the exchange reserves of African countries that record an unfavourable trade balance with European countries members of CMEA.

2. Effects on the expansion of trade between the two groups of countries

36. For lack of adequate data, it is difficult to establish a direct link between the various payments arrangements and the expansion of trade among the groups of countries. The few observations made below derive from certain payments agreements described above. It should be pointed out that clearing agreements include provisions for promoting trade between the two economic zones. The granting of technical credit on concessional terms is one way of promoting trade. Such an arrangement makes for the smooth conduct of business. Under the clearing agreements of the 1960s, the partner countries accepted to raise the value of mutual trade to regularly higher levels ranging from 20 to 100 per cent. The bilateral clearing system does however contain some provisions that hinder the expansion of trade between the two economic zones. It does not allow for multilateral settlement of trade balances. It should be indicated here that triangular exchange would be one way of promoting trade between countries of the two economic zones. Furthermore, clearing agreements only strengthen bilateral trade since the creditor country is obliged to import products from the debtor country.

37. When compounded by in convertible currencies, bilateral trade also tends to freeze the production and trade structures of African countries seeking to diversity their export products and markets and their sources of supply. It might be helpful to emphasise that by their very nature, payments agreements cannot be considered a panacea for solving the problems posed by the development and expansion of African trade. Those arrangements, however, are some of the various means to which African countries might resort to solve the payments problems raised by trade between the two groups of countries.

38. The two groups of countries realized that they could no longer expand trade without taking other measures at the same time. It was for this reason that many economic co-operation agreements came to be concluded gradually in order to attain objectives beyond the mere expansion of trade.

IV. PROPOSALS FOR IMPROVING PAYMENTS ARRANGEMENTS

39. It follows from the foregoing that there are gaps in the payments arrangements of the two groups of countries. This chapter contains some proposals for improvement.

A. Making bilateral payments agreements more flexible

40. Bilateral clearing agreements need to be made more flexible specifically by allowing African countries which so desire to transfer their credit balances to any third creditor party that is a member of CMEA and to settle their debit balances in national currencies and/or in the form of processed goods. It should be recalled that the payment in convertible currencies of credit balances has benefited only the socialist countries who have regularly achieved positive balances in their trade with African countries. Technical credit facilities to be provided for clearing agreements should be substantially increased while the settlement schedule of clearing accounts should be extended over time. As to

in-kind repayment of loans granted by the socialist countries, it is important for African countries to make sure that at the time of delivery, the value of their export goods matches the amount of credit granted. The Socialist countries should endeavour to make their economic co-operation with African countries multilateral. They should accordingly increase the convertible currency allocation of the International Investment Bank's special fund. Loan terms and conditions imposed by the bank should also be softened. The socialist countries should plan to grant increased financial assistance to African countries through such multilateral agencies as the African Development Bank and such United Nations agencies as UNDP.

B. Prospects for making multilateral payments between African countries and the Socialist countries of Eastern Europe by the use of transferable roubles

41. Among the payments arrangements between developing countries and the Socialist countries of Eastern Europe mentioned in chapter I of the present study is the use of transferable roubles. However, for countries not members of CMEA who plan to use transferable roubles in such payments, account should be taken of several factors relating to this mode of settlement. The most important of these factors is the role of planning and the modalities of price fixing. Obviously, the rules established by the IBEC council do not compel trade partners to plan payments in advance. And yet planning in the socialist countries covers trade or long-term delivery contracts. Trade within CMEA is transacted on the basis of calculated world prices yearly using the mean for the five preceding years and subsequently converted into transferable roubles. But then, the Socialist countries do not have the same price levels and the corrected world price structure expressed in transferable roubles differs from country to country. It therefore becomes difficult for a third country to know exactly what price to quote in transferable rouble transactions. Such technical difficulties should not, however, be insurmountable, particularly for countries seeking to make their trade with CMEA countries of Europe multilateral.

V. CONCLUSION

42. African countries maintain ever growing economic relations with the socialist countries of eastern Europe. The payments arrangements concluded between the two groups of countries have mainly involved trade and payments as well as credit agreements.

43. The use of such payments arrangements is intended in principle to promote trade between the two groups of countries. Although the trade and payments agreements concluded between Africa and eastern Europe are intended to stimulate African exports, other measures should be taken to improve trade and payments mechanisms between the two groups of countries. Mention could be made among other things of the need to establish mechanisms for the stabilization of raw materials prices since the majority of African countries export raw materials to the socialist countries of eastern Europe. Such price stabilization should be effected within the general framework of multilateral co-operation between Africa and eastern Europe.

Some trade and payments agr
African countries and the s
eastern Eur

Partner countries	Type of agreement
Bulgaria	
1. Guinea	Trade and payment agreement
"	" " " "
2. Morocco	Trade agreement
"	" "
3. Egypt	Trade agreement
"	Long-term trade agreement
4. Mali	Trade and payment agreement
5. Sudan	Trade and payment agreement
6. Tunisia	Trade agreement
7. Algeria	Long-term trade agreement

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Date and validity	Information on trade and payments arrangements
10 Oct. 1959	Clearing agreement
1976	Payment in convertible currency
August 1960	Total value : $2,381,000 an increase of 100 per cent over the previous year
1974	Payment in convertible currency
1962	The annual value of trade was fixed at $11.5 million for each of the contracting parties
1976	Payment in convertible currency
June 1961	-
-	Bulgaria and Sudan agreed to open a reciprocal credit line of 200,000 Sudanese pounds at 3 per cent interest. The surplus technical credit was to be settled in pounds sterling or in any other convertible currency agreed upon by the two parties concerned.
Sept. 1960	-
1978	Payment in convertible currency

Partner countries	Type of agreement	Date and va
Bulgaria		
8. Ethiopia	Trade agreement	
9. Nigeria	Long-term trade agreement	
Czechoslovakia		
1. Guinea	Trade agreement Protocol to the 1959 trade agreement	3 Ju Ju
2. Somalia	Trade and payment agreement	27 Ju
3. Ghana	Trade and payment agreement	Oct
4. Tunisia	Trade agreement	18 Ap
5. Egypt	Trade and payment agreement	16 Ju
6. Sudan	Trade and payment agreement	Ju

lidity	Information on trade and payments agreements
977	Payment in convertible currency
975	"
ly 1959 ne 1961	20 per cent increase in the value of trade in 1961 as compared to 1960.
ıc 1960	-
1961	Five-year agreement automatically renewable with provision for a credit margin of 500,000 Ghanaian pounds; settlement of balance by mutual agreement.
ril 1961	-
ne 1960	Egypt and Czechoslovakia agreed to settle their balance of payments in pounds sterling and to grant each other a credit margin of 2 million Egyptian pounds.
ne 1962	Agreement renewable annually by tacit agreement. Balances of bilateral compensation accounts worth more than 200,000 Sudanese pounds have to be settled in pounds sterling or in any other hard currency agreed upon by both governments.

Partner countries	Type of agreement
Czechoslovakia	
7. Guinea Bissau	Trade agreement
8. Madagascar	Trade co-operation agreement
German Democratic Republic	
1. Guinea	Trade protocol
2. Mali	Trade and payment agreement
3. Ghana	Trade agreement
4. Morocco	Trade agreement
5. Egypt	Trade protocol
6. Sao Tome and Principe	Trade agreement

Date and validity	Information on trade and payments agreements
1972	Settlement in convertible currency.
1980	Payment in convertible currency.
April 1961	The total value will increase 30 per cent over 1960.
17 April 1961	The value of trade will climb to 10.1 million dollars.
19 July 1961	-
9 August 1960 for a year	Total value of trade is 41.2 million dollars - an increase of 10 per cent over the previous year.
28 November 1960	1961 value: 90 million dollars - an increase of 40 per cent over 1960.
1979	-

Partner countries	Type of agreement
Hungary	
1. Egypt	Trade payment agreement
2. Guinea	" " "
3. Ghana	" " "
4. Morocco	" " "
5. Sudan	" " "
6. Tunisia	" " "
7. Angola	Trade agreement
8. Benin	" "
9. Burundi	" "
10. Mozambique	" "

Date and validity	Information on trade and Payments agreements
27 March 1959 for three years	Annual value of 20 million dollars
June 1959	-
April 1961	Settlement of balances in kind; credit margin, 200,000 Ghanaian pounds.
2 Sept. 1960	--
January 1959	--
March 1960	--
1979	--
1979	--
1978	--
1977	--

Partner countries	Type of agreement
Poland	
1. Ghana	Trade and payment agreement fo five years
2. Guinea	Trade and payment agreement
3. Egypt	Trade and payment agreement
4. Sudan	Trade and payment agreement
5. Tunisia	Trade and payment agreement
6. Algeria	Trade agreement
7. Angola	" "
8. Benin	" "

Date and validity	Information on trade and payments agreements
1961	The two countries grant each other most favoured nation treatment.
20 June 1960	Agreement extended for three years from 1971.
2 Nov. 1960 for three years	Total value of 5.7 million dollars.
1963	Renewal of agreement by tacit agreement, forbidden to re-export products traded in, coverage of a mutual credit of 200,000 pounds sterling with a 3 per cent interest on compensation accounts and prices of products traded in brought in line with world prices for identical products.
1960	Total value of trade should increase by 40 per cent over the previous year.
1978	Payment in convertible currency
1977	" " " "
1978	" " " "

Partner countries	Type of agreement
Poland	
9. Ethiopia	Trade agreement
10. Egypt	" "
11. Nigeria	" "
Rumania	
1. Egypt	Trade and payment agreement
2. Sudan	Trade agreement
3. Cameroon	" "
4. Upper Volta	" "
5. Ethiopia	" "
6. Mauritius	" "

Date and validity	Information on trade and payments agreement
1977	Payment in convertible currency
1975	" " " "
1976	" " " "
1958	Total value about 18 million dollars.
1961	--
1979	Payment in convertible currency
1977	" " " "
1979	" " " "

Partner countries	Type of agreement
USSR	
1. Guinea	Trade agreement
2. Sudan	" "
3. Ghana	" "
4. Morocco	Trade and payment agreement
5. Ethiopia	Long-term trade agreement

Date and validity	Information on trade and payment agreements
	Reciprocal granting of most favoured nation treatment for trade and shipping.
16 March 1959	Reciprocal granting of most favoured nation treatment for trade and shipping.
4 August 1960	Reciprocal granting of most favoured nation treatment for trade and shipping.
19 April 1958	Reciprocal granting of most favoured nation treatment for trade and shipping.
11 July 1959	Reciprocal granting of the most favoured nation treatment.

Some loans granted by the So

Lender country	Borrower Country	Date of the agreement
Soviet Union	Egypt	27 January 1958
	"	27 December 1958
	"	27 August 1960
	Ethiopia	July 1959
	Guinea	24 August 1959
	Ghana	4 August 1960
	Tunisia	4 August 1961
	Sudan	July 1961
	Somalia	June 1961
	Mali	20 March 1961
	Algeria	1971
	Egypt	1971
	Madagascar	1977

ocialist countries of Eastern Europe

Amount (in millions of dollars	TERMS
175	2.5 per cent interest repayable in 12 years
100	
235	2.5 per cent interest repayable in 12 years
100	Long-term
100	2.5 per cent interest repayable in 12 years
40	2.5 per cent interest repayable in 12 years
28	2.5 per cent interest repayable in 12 years
22	2.5 per cent interest repayable in 12 years
44	2.5 per cent interest repayable in 12 years
44	2.5 per cent interest repayable in 12 years
170 (roubles)	Duration of loan : 15 years interest 2.5 per cent
280 (roubles)	-
10 (roubles)	Duration of loan :10 years Interest :2.5 per cent Grace period : 2 years

Lender country	Borrower Country	Date of the agreement
Bulgaria	Somalia	1972
	Tanzania	April 1972
	Ethiopia	1975
Czechoslovakia	Tanzania	1975
	Tunisia	1976
	Ethiopia	1975
Hungary	Guinea	1974
Rumania	Algeria	1972
	Angola	1977
	Egypt	1977

Amount (in millions of dollars)	T E R M S
1 - 5	2.5 per cent interest
21.5 (Shillings)	---
5.0 (Birr)	---
28.5 (Shillings)	---
75 (Swiss francs)	---
93 (Birr)	5 per cent of the loan was a gift; 95 per cent of the loan reimbursable in 15 years at 2.5 per cent interest with a grace period of three years.
3	Loan repayable in kind
100	Loan repayable in 10 years at 2 per cent interest
75	---
20	Long-term loan